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CITY OF WIGGINS, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

**CITY OF WIGGINS, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

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**CITY OF WIGGINS, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

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INTRODUCTORY SECTION

CITY OF WIGGINS, MISSISSIPPI

LIST OF PRINCIPAL OFFICIALS

		<u>Term Expiration</u>
Mayor		
Ferris B. O'Neal		6/30/05
Alderpersons		
Raymond D. Collins	Aldersperson – At Large	6/30/05
Darrell Berry	Ward 1	6/30/05
Donna Rouse	Ward 2	6/30/05
Ronnie Purvis	Ward 3	6/30/05
Thomas E. Hall	Ward 4	6/30/05
City Clerk		
Teresa J. Ladner		None Stated

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

December 10, 2003

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the accompanying general purpose financial statements of the City of Wiggins, Mississippi, as of and for the year ended September 30, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the City of Wiggins, Mississippi management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City did not maintain an adequate inventory of or adequate subsidiary records documenting the existence, completeness, and valuation of buildings and other fixed assets accounted for in the General Fixed Assets Account Group. Due to the nature of the City's records, we were unable to satisfy ourselves as to the fair presentation of buildings and equipment reported at \$3,042,280 as of September 30, 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate buildings and equipment subsidiary records, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the City of Wiggins, Mississippi at September 30, 2003, and the results of its operations and changes in cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 10, 2003
Mayor and Board of Alderpersons
City of Wiggins, Mississippi

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial supplemental information listed as combining statements and other supplemental information in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Wiggins, Mississippi. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF WIGGINS, MISSISSIPPI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003
(With Comparative Totals for September 30, 2002)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS				
Pooled cash and cash equivalents	\$ 524,060	\$ -	\$ -	\$ 49,238
Non-pooled cash and cash equivalents	50	-	-	-
Receivables, net of allowance for uncollectibles				
Taxes	5,131	-	-	924
Accounts	-	-	-	-
Franchise fees	69,998	-	-	-
Due from other governments	206,599	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	10,840	-	-	-
Restricted assets				
Pooled cash and cash equivalents		-	-	-
Non-pooled cash and cash equivalents	12,084	-	-	-
Property, plant and equipment, net of accumulated depreciation	-	-	-	-
Amount to be provided for retirement of general long-term debt obligations	-	-	-	-
TOTAL ASSETS	\$ 828,762	\$ -	\$ -	\$ 50,162

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	2003	2002
Enterprise	Trust and Agency				
\$ (14,458)	\$ 6,806	\$ -	\$ -	\$ 565,646	\$ 545,929
125,371	301	-	-	125,722	525
-	-	-	-	6,055	5,805
68,426	-	-	-	68,426	57,465
-	-	-	-	69,998	72,183
-	-	-	-	206,599	193,917
4,000	-	-	-	4,000	-
-	-	-	-	-	7,015
3,065	-	-	-	13,905	10,610
28,485	-	-	-	28,485	22,306
12,000	-	-	-	24,084	148,235
1,642,091	-	3,042,280	-	4,684,371	4,244,881
-	-	-	450,632	450,632	276,471
<u>\$1,868,980</u>	<u>\$ 7,107</u>	<u>\$3,042,280</u>	<u>\$ 450,632</u>	<u>\$6,247,923</u>	<u>\$5,585,342</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003
(With Comparative Totals for September 30, 2002)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 39,655	\$ -	\$ -	\$ -
Accrued liabilities	19,936	-	-	-
Other liabilities	131,564	-	-	18,118
Notes payable	-	-	-	-
Current maturities of capital leases payable	-	-	-	-
Due to other funds	-	-	-	-
Payable from restricted assets				
Customer deposits	-	-	-	-
Accrued interest	-	-	-	-
Current maturities of revenue bonds payable	-	-	-	-
Capital leases payable, net of current maturities	-	-	-	-
Revenue bonds payable, net of current maturities	-	-	-	-
Compensated absences payable	12,820	-	-	-
Total Liabilities	203,975	-	-	18,118
Fund Equity				
Contributed capital - federal sources	-	-	-	-
Retained earnings				
Reserved for bond indenture	-	-	-	-
Unreserved retained earnings	-	-	-	-
Invested in general fixed assets	-	-	-	-
Fund balances				
Reserved for prepaid expenses	10,840	-	-	-
Reserved for debt retirement	-	-	-	32,044
Reserved for unemployment benefits	-	-	-	-
Unreserved - undesignated	613,947	-	-	-
Total Fund Equity	624,787	-	-	32,044
TOTAL LIABILITIES AND FUND EQUITY	\$ 828,762	\$ -	\$ -	\$ 50,162

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	2003	2002
Enterprise	Trust and Agency				
\$ 25,330	\$ -	\$ -	\$ -	\$ 64,985	\$ 74,082
3,890	301	-	-	24,127	13,642
-	-	-	-	149,682	110,264
-	-	-	306,452	306,452	137,664
20,172	-	-	-	20,172	38,248
-	-	-	-	-	7,015
28,485	-	-	-	28,485	34,605
165	-	-	-	165	702
7,856	-	-	-	7,856	37,165
2,150	-	-	144,180	146,330	160,335
92,605	-	-	-	92,605	99,371
4,497	-	-	-	17,317	17,040
<u>185,150</u>	<u>301</u>	<u>-</u>	<u>450,632</u>	<u>858,176</u>	<u>730,133</u>
169,956	-	-	-	169,956	186,765
3,979	-	-	-	3,979	75,921
1,509,895	-	-	-	1,509,895	1,542,510
-	-	3,042,280	-	3,042,280	2,485,678
-	-	-	-	10,840	8,071
-	-	-	-	32,044	59,433
-	6,806	-	-	6,806	6,806
-	-	-	-	613,947	490,025
<u>1,683,830</u>	<u>6,806</u>	<u>3,042,280</u>	<u>-</u>	<u>5,389,747</u>	<u>4,855,209</u>
<u>\$1,868,980</u>	<u>\$ 7,107</u>	<u>\$3,042,280</u>	<u>\$ 450,632</u>	<u>\$6,247,923</u>	<u>\$5,585,342</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(With Comparative Totals for the Year Ended September 30, 2002)

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Debt Service	Expensible Trust	2003	2002
REVENUES							
Taxes, penalties and interest	\$ 410,279	\$ -	\$ -	\$ 51,649	\$ -	\$ 461,928	\$ 489,937
Licenses and permits	308,075	-	-	-	-	308,075	309,699
Intergovernmental	1,414,557	2,500	-	-	-	1,417,057	1,543,173
Fines and forfeitures	56,929	-	-	-	-	56,929	45,802
Interest income	11,336	-	-	-	-	11,336	19,443
Miscellaneous	34,733	-	-	-	-	34,733	33,195
Total revenues	2,235,909	2,500	-	51,649	-	2,290,058	2,441,249
EXPENDITURES							
General government	653,309	-	-	-	-	653,309	418,372
Public safety	932,588	-	-	-	-	932,588	856,638
Highway and streets	552,513	-	-	-	-	552,513	410,867
Culture and recreation	57,665	-	-	-	-	57,665	35,892
Economic development	-	2,500	27,250	-	-	29,750	240,050
Capital outlay	133,206	-	-	-	-	133,206	242,871
Debt service	63,237	-	-	79,038	-	142,275	155,247
Total expenditures	2,392,518	2,500	27,250	79,038	-	2,501,306	2,359,937
Excess (deficiency) of revenues over expenditures	(156,609)	-	(27,250)	(27,389)	-	(211,248)	81,312
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	27,250	-	-	27,250	192
Operating transfers out	(27,250)	-	-	-	-	(27,250)	(192)
Proceeds from loans	250,000	-	-	-	-	250,000	-
Proceeds from capital leases	60,550	-	-	-	-	60,550	26,276
Total other financing sources (uses)	283,300	-	27,250	-	-	310,550	26,276
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	126,691	-	-	(27,389)	-	99,302	107,588
Fund balances-October 1	498,096	-	-	59,433	6,806	564,335	456,747
Fund balances-September 30	\$ 624,787	\$ -	\$ -	\$ 32,044	\$ 6,806	\$ 663,637	\$ 564,335

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	General Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes, penalties and interest	\$ 411,626	\$ 444,409	\$ 32,783	\$ 47,117	\$ 56,687	\$ 9,570
Licenses and permits	311,057	310,260	(797)	-	-	-
Intergovernmental	1,220,421	1,401,875	181,454	-	-	-
Fines and forfeitures	57,064	56,929	(135)	-	-	-
Interest income	11,000	11,336	336	-	-	-
Miscellaneous	44,472	34,733	(9,739)	-	-	-
Total revenues	<u>2,055,640</u>	<u>2,259,542</u>	<u>203,902</u>	<u>47,117</u>	<u>56,687</u>	<u>9,570</u>
EXPENDITURES						
General government	663,842	654,192	9,650	-	-	-
Public safety	1,182,617	933,847	248,770	-	-	-
Highway and streets	592,268	553,260	39,008	-	-	-
Culture and recreation	59,639	57,743	1,896	-	-	-
Capital outlay	-	133,206	(133,206)	-	-	-
Debt service	71,845	63,237	8,608	79,037	79,038	(1)
Total expenditures	<u>2,570,211</u>	<u>2,395,485</u>	<u>174,726</u>	<u>79,037</u>	<u>79,038</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers out	-	(27,250)	(27,250)	-	-	-
Proceeds from loans	250,000	250,000	-	-	-	-
Proceeds from capital leases	246,942	60,550	(186,392)	-	-	-
Total other financing sources (uses)	<u>496,942</u>	<u>283,300</u>	<u>(213,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (17,629)</u>	147,357	<u>\$ 164,986</u>	<u>\$ (31,920)</u>	(22,351)	<u>\$ 9,569</u>
Reconciliation to GAAP basis:						
Change in taxes receivable		(84)			334	
Change in franchise taxes receivable		(2,185)			-	
Change in due from other governments		12,682			-	
Change in prepaid expenses		2,769			-	
Change in accounts payable		9,676			-	
Change in accrued expenses		(9,111)			-	
Change in other liabilities		(34,046)			(5,372)	
Change in compensated absences		(367)			-	
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis		<u>\$ 126,691</u>			<u>\$ (27,389)</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF REVENUES AND EXPENSES -
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 323,366	\$ 292,569
Sewer charges	146,393	147,435
Garbage charges	165,320	164,726
Tap fees	7,400	8,800
Service connection charges	560	460
Late charges	4,469	5,158
Miscellaneous	448	3,796
	<u>647,956</u>	<u>622,944</u>
Total operating revenues		
	<u>647,956</u>	<u>622,944</u>
OPERATING EXPENSES		
Personnel services	269,740	250,618
Contractual services	117,238	73,548
Supplies and materials	163,318	107,124
Heat, light and power	63,506	50,034
Depreciation	133,104	129,718
Other services and charges	15,438	14,167
Professional fees	22,499	28,885
	<u>784,843</u>	<u>654,094</u>
Total operating expenses		
	<u>784,843</u>	<u>654,094</u>
Operating loss	<u>(136,887)</u>	<u>(31,150)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital contributions	18,625	303,421
Gain on sale of assets	2,021	-
Interest revenue	2,262	4,000
Interest expense	(7,387)	(10,888)
	<u>15,521</u>	<u>296,533</u>
Total nonoperating revenues (expenses)		
	<u>15,521</u>	<u>296,533</u>
NET INCOME (LOSS)	<u>\$ (121,366)</u>	<u>\$ 265,383</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF CHANGES IN EQUITY -
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Contributed Capital - Federal Sources	Retained Earnings		Total Equity
		Reserved for Bond Indenture	Unreserved	
EQUITY				
Balance at October 1, 2002	\$ 186,765	\$ 75,921	\$ 1,542,510	\$ 1,805,196
Adjustment for depreciation on fixed assets acquired by donation from other entities that reduces contributed capital	(16,809)	-	16,809	-
Net decrease in reserve requirement	-	(71,942)	71,942	-
Net loss	-	-	(121,366)	(121,366)
Balance at September 30, 2003	<u>\$ 169,956</u>	<u>\$ 3,979</u>	<u>\$ 1,509,895</u>	<u>\$ 1,683,830</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS -
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 632,995	\$ 619,463
Cash payments to suppliers and employees	<u>(656,448)</u>	<u>(513,789)</u>
Net cash provided by (used for) operating activities	<u>(23,453)</u>	<u>105,674</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances to other funds	71	(71)
Advances from other funds	<u>(6,944)</u>	<u>(23,583)</u>
Net cash used for noncapital financing activities	<u>(6,873)</u>	<u>(23,654)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(15,992)	(372,653)
Principal paid on revenue bonds payable and capital leases payable	(73,529)	(80,280)
Interest paid on revenue bonds payable and capital leases payable	(7,924)	(11,065)
Proceeds from sale of assets	2,021	-
Capital contributed	<u>18,625</u>	<u>303,421</u>
Net cash used for capital and related financing activities	<u>(76,799)</u>	<u>(160,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	<u>2,262</u>	<u>4,000</u>
Net cash provided by investing activities	<u>2,262</u>	<u>4,000</u>
Decrease in cash and cash equivalents	(104,863)	(74,557)
Cash and cash equivalents - October 1	<u>256,261</u>	<u>330,818</u>
Cash and cash equivalents - September 30	<u><u>\$ 151,398</u></u>	<u><u>\$ 256,261</u></u>
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:		
CURRENT ASSETS		
Pooled cash and cash equivalents	\$ (14,458)	\$ 109,004
Non-pooled cash and cash equivalents	125,371	100
RESTRICTED ASSETS		
Pooled cash and cash equivalents	28,485	22,306
Non-pooled cash and cash equivalents	<u>12,000</u>	<u>124,851</u>
Cash and cash equivalents, end of year	<u><u>\$ 151,398</u></u>	<u><u>\$ 256,261</u></u>

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS-
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating loss	\$ (136,887)	\$ (31,150)
Adjustments reconciling net cash provided by operating activities:		
Depreciation	133,104	129,718
Bad debt expense	5,896	9,137
(Increase) decrease in assets:		
Accounts receivable	(16,857)	(12,618)
Other receivables	(4,000)	-
Prepaid expenses	(526)	(1,865)
Increase (decrease) in liabilities:		
Accounts payable	579	7,920
Accrued payroll	1,448	374
Compensated absences payable	(90)	2,922
Customer deposits	(6,120)	1,236
Net cash provided by (used for) operating activities	<u><u>\$ (23,453)</u></u>	<u><u>\$ 105,674</u></u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets acquired with issuance of debt	<u><u>\$ -</u></u>	<u><u>\$ 14,717</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
COMBINED STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP BASIS) -
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 643,296	\$ 642,891	\$ (405)
Miscellaneous	-	2,021	2,021
Interest	<u>2,250</u>	<u>2,262</u>	<u>12</u>
Total revenues	<u>645,546</u>	<u>647,174</u>	<u>1,628</u>
EXPENSES			
Personnel services	259,202	268,382	(9,180)
Supplies	136,587	163,318	(26,731)
Other services and charges	241,814	222,628	19,186
Capital outlay	59,727	15,992	43,735
Debt service	<u>83,861</u>	<u>81,363</u>	<u>2,498</u>
Total expenses	<u>781,191</u>	<u>751,683</u>	<u>29,508</u>
Deficiency of revenues over expenses	<u><u>\$ (135,645)</u></u>	(104,509)	<u><u>\$ 31,136</u></u>
Reconciliation to GAAP basis:			
Change in accounts receivable		10,961	
Change in other receivables		4,000	
Bad debt expense		(5,896)	
Purchase of property and equipment		15,992	
Capital contributions		18,625	
Depreciation expense		(133,104)	
Change in prepaid expenses		526	
Change in accounts payable		(579)	
Change in compensated absences payable		16	
Change in accrued payroll		(1,374)	
Change in accrued interest		537	
Principal payment of long-term debt		<u>73,439</u>	
NET LOSS - GAAP BASIS		<u><u>\$ (121,366)</u></u>	

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Wiggins, Mississippi, (City) incorporated in 1904 under the laws of the State of Mississippi and situated in Stone County operates under a Mayor-Board form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Social and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2003.

II. Basis of Presentation

(A) Financial Reporting Entity

The City is a charter city in which citizens elect the mayor at large and four board members by wards and one at large board member. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on these criteria, it has been determined that the City has no component units.

See Notes 15 and 16 for information describing related organizations not included in the City's reporting entity.

(B) Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

Governmental Fund Types

Governmental funds are those funds through which the City finances most of its municipal services. Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. The City's governmental funds are as follows:

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs which are not being financed by proprietary funds.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements and facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives of which are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is reported as retained earnings. The City's proprietary fund is as follows:

Enterprise Funds – The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Trust and Agency Funds - The trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and long-term liabilities that are not accounted for in the respective governmental funds. The account groups are not "funds". They are concerned only with the measurement of financial position, not with the measurement of results of operations. The City's account groups are as follows:

General Fixed Assets Account Group - The City has not adequately maintained a record of general fixed assets (i.e., those fixed assets not accounted for in proprietary funds) over the years. Assets not properly documented were assigned a nominal value and recorded along with all other recorded general fixed assets that are reported in the general fixed assets account group as required by generally accepted accounting principles.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Debt Account Group – The general long-term debt account group is established to account for all long-term debt and certain other liabilities of the City that are not specific liabilities of the proprietary funds.

(C) Total Columns (Memorandum Only)

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present information that reflects financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

III. Basis of Accounting and Measurement Focus

(A) Modified Accrual Basis of Accounting

All governmental fund types and the agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected but unsettled at year-end. A two-month availability period is used for revenue recognition for most other governmental fund revenues.

Revenues not considered available are recorded as deferred revenues, if material. Also, under modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due. Liabilities that will not be normally liquidated with expendable available financial resources are recorded in the general long-term debt account group.

Those revenues susceptible to accrual are franchise taxes, sales taxes collected and held by the State at year-end on behalf of the City, grants and interest revenues. Licenses and permits, certain charges for services, fines and forfeits and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

Disbursements for inventory type items are considered expenditures at the time of purchase rather than at the time the items are used. Disbursements for capital items within governmental funds are considered expenditures when purchased and no depreciation is taken.

(B) Accrual Basis of Accounting

The accrual basis of accounting is used by the proprietary funds. Under this method, revenues from exchange transactions are recognized in the accounting period in which they are earned and become measurable. Revenues from non-exchange transactions, such as grants and contributions, are recognized in the year in which all eligibility requirements have been satisfied. Expenses, including depreciation, are recognized in the period incurred, if measurable. Unbilled utility service receivables are recorded at year-end.

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Assets, Liabilities and Equity

(A) Cash and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents. Refer to Note 4 for additional information regarding cash and investments.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as "pooled cash and cash equivalents", some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "non-pooled cash and cash equivalents", some of which are restricted assets.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

(B) Receivables

All receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the water and sewer enterprise fund for estimated uncollectible utility charges. The allowance is based on historical collection experience and other relevant circumstances.

(C) Short-Term Interfund Receivables/Payables

Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables which are classified on the balance sheet as "due to/from other funds". A cash transfer between the funds normally settles this type of transaction. All other interfund transactions are accounted for as either an operating transfer or a residual equity transfer. A residual equity transfer represents a transfer of the residual fund balance of a discontinued fund to another fund or a nonrecurring or non-routine transfer of equity between funds. Operating transfers are all legally authorized transfers that are not classified as residual equity transfers.

(D) Advances To/From Other Funds

Transactions between funds that are representative of lending/borrowing arrangements are recorded as advances. The current portion of such advances is referred to as "due to/from other funds." The noncurrent portion of interfund loans is recorded as "advances to/from other funds." Advances between funds are offset by a fund balance reserve account, in applicable governmental funds, to indicate that they do not constitute "expendable available financial resources" and, therefore, are not available for appropriation.

(E) Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2003, are recorded as prepaid items.

(G) General Fixed Assets

General fixed assets have been acquired for general governmental purposes of the City as a whole. Assets purchased or constructed are recorded as expenditures in the governmental fund types of the City and are capitalized in the general fixed assets account group. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are recorded at estimated fair market value at the time received. Due to lack of adequate documentation, a number of fixed assets were assigned a nominal value in order to provide a basis for accountability in future periods. Assets in the General Fixed Assets Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

The City has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the City government. Such assets consist of certain improvements, other than buildings, including roads, curbs and gutters, streets, sidewalks and lighting systems. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording such assets.

The City has not maintained an adequate inventory of or adequate subsidiary records documenting the existence, completeness, and valuation of buildings and other fixed assets accounted for in the General Fixed Assets Account Group general ledger. Therefore, there are not adequate subsidiary records of the City's general fixed assets sufficient to permit application of audit procedures necessary to test the valuation of such assets.

(H) Property, Plant and Equipment

Property, plant and equipment associated with the activities of proprietary funds are recorded as assets of those funds, and are stated at historical cost if purchased, or at fair market value at date of gift if donated. Assets purchased or constructed by non-enterprise funds and contributed to the Enterprise Fund are recorded at historical cost. As with the General Fixed Assets, due to lack of adequate documentation, a number of fixed assets were assigned a nominal value in order to provide a basis for accountability in future periods. Depreciation has been provided over the estimated useful lives using the straight-line method. The following estimated useful lives for proprietary fund assets are used to compute depreciation:

<u>Asset</u>	<u>Useful Life</u>
Plant structures and improvements	25 - 50 years
Distribution system, water mains and hydrants	40 years
Machinery and equipment	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

(I) Compensated Absences

The City's policy requires employees to take vacation time earned in the calendar year following the calendar year in which the leave was earned. All unused vacation time is forfeited. Employees may accumulate up to 63 days of sick leave. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, lay-off or cause. Retiring and terminating employees are paid for all unused vacation.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Compensated Absences (Continued)

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours and compensatory hours are multiplied by the employee's hourly rate at September 30, 2003. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability. Amounts not expected to be liquidated with expendable available financial resources are recorded in the general long-term debt account group. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

(J) Post Employment Health Care Benefits

The City does not have costs associated with post-employment benefits for retired employees. The City does not allow employees to continue in the group plan after retirement except for the federal COBRA requirements.

(K) Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. The City capitalizes all lease agreements that are considered to be capital leases under GAAP and includes the net present value of future lease payments in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. Details of all long-term obligations are presented in Note 7.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts from refundings. Issuance costs are reported as deferred charges.

(L) Claims and Judgments

Losses resulting from claims and judgments are estimated in accordance with Financial Accounting Standards Board Statement No. 5. The liability for such losses, if any, is recorded in the respective fund.

(M) Fund Equity

Reservations of fund balance represent amounts that are appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund contributed capital represents equity acquired through capital grants and capital contributions from the federal government.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Budgetary Data

The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the governmental funds are prepared on the cash basis, with the exception of the general fund as reported in these financial statements. The general fund as reported includes a general and other funds combined into the general fund. The general fund is budgeted on the cash basis, excluding funds that are accounted for separately for such things as beautification, airport and train depot projects and specific grant awards, which are not budgeted. Budgets for the enterprise funds are prepared on a modified cash basis (i.e., exclude depreciation and bad debt expense and include principal debt payments and capital outlay).

The legal level of control for all budgets adopted is at the fund level with the exception of the general fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

10. Budgeted revenues and other sources, expenditure or expense amounts and other uses, and appropriations to and from fund equity as originally budgeted were amended by the Board as follows:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
Revenues and Other Sources			
General fund	\$ 2,491,019	\$ 61,563	\$ 2,552,582
Debt service funds	71,775	(24,658)	47,117
Enterprise funds	<u>631,656</u>	<u>13,890</u>	<u>645,546</u>
Total revenues	3,194,450	50,795	3,245,245
Appropriations from fund equity	<u>8,173</u>	<u>177,021</u>	<u>185,194</u>
Total revenues and appropriations from fund equity	<u>\$ 3,202,623</u>	<u>\$ 227,816</u>	<u>\$ 3,430,439</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

(A) Budgetary Data (Continued)

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
Expenditures And Other Uses			
General fund	\$ 2,491,019	\$ 79,192	\$ 2,570,211
Debt service funds	73,561	5,476	79,037
Enterprise funds	<u>638,043</u>	<u>143,148</u>	<u>781,191</u>
Total expenditures	3,202,623	227,816	3,430,439
Appropriations to fund equity	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and appropriations to fund equity	<u>\$ 3,202,623</u>	<u>\$ 227,816</u>	<u>\$ 3,430,439</u>

11. An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

(B) Retained Earnings Deficit

At September 30, 2003 the Solid Waste Fund had a retained earnings deficit balance of \$50,737.

(C) Excess of Expenditures Over Appropriations (Budget)

Excess of expenditures over appropriations (budget) for fiscal year ending September 30, 2003 are as follows:

	<u>Amended Budget Amount</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund:			
Capital outlay	<u>\$ -</u>	<u>\$ 133,206</u>	<u>\$ 133,206</u>
Water and Sewer Fund:			
Personnel services	\$ 178,720	\$ 186,493	\$ 7,773
Supplies	<u>98,322</u>	<u>119,462</u>	<u>21,140</u>
Total water and sewer fund	<u>\$ 277,042</u>	<u>\$ 305,955</u>	<u>\$ 28,913</u>
Solid Waste Fund:			
Personnel services	80,482	81,889	1,407
Supplies	<u>38,265</u>	<u>43,856</u>	<u>5,591</u>
Total solid waste fund	<u>\$ 118,747</u>	<u>\$ 125,745</u>	<u>\$ 6,998</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 3: PROPERTY AND SALES TAX REVENUES

(A) Property Tax Revenues

Stone County bills and collects the real, personal, and auto ad valorem taxes for the City. Taxes on real and personal property are levied by the Board at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year plus new construction.

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Stone County also remits to the City a prorata share of road and bridge taxes collected by the County. Generally accepted accounting principles require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

The rates are expressed in terms of mills (i.e., 10 mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2003 was 17.9 mills or \$17.90 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2003, have been provided below. The tax levies and assessed valuations have been shown comparative with the two previous years for informational purposes.

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it. The City of Wiggins does not have taxing authority for any other authorities.

The assessed valuations of the City for the years ended September 30, 2003, 2002 and 2001, are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Real property	\$ 13,481,775	\$ 12,880,646	\$ 10,401,728
Personal property	6,585,523	6,551,920	8,488,005
Public utilities	2,327,844	2,261,697	1,909,978
Automobiles	<u>3,379,328</u>	<u>3,337,324</u>	<u>3,186,568</u>
Total assessed valuation	<u>\$ 25,774,470</u>	<u>\$ 25,031,587</u>	<u>\$ 23,986,279</u>

The tax levies of the City for the years ended September 30, 2003, 2002 and 2001, are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
General fund	15.90	15.90	18.00
Debt service fund	<u>2.00</u>	<u>2.00</u>	<u>3.00</u>
Total tax levy	<u>17.90</u>	<u>17.90</u>	<u>21.00</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 3: PROPERTY AND SALES TAX REVENUES (Continued)

(B) Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Wiggins) back to the City monthly. Intergovernmental revenues reported in the General fund include \$1,191,440 of sales tax revenue.

(C) Grant Revenue

Revenues from federal, state and other grants, which fund specific City expenditures, are recognized at the time of the specific expenditure. The City reports deferred revenue in connection with receivables for grant revenues that are not considered to be available to liquidate liabilities in the current period.

NOTE 4: CASH AND INVESTMENTS

A summary of cash and cash equivalents as of September 30, 2003, follows:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking and Savings Accounts</u>	<u>Total</u>
General:			
Pooled	\$ -	\$ 524,060	\$ 524,060
Non-pooled	50	12,084	12,134
Debt Service:			
Pooled	-	49,238	49,238
Enterprise Funds:			
Pooled	-	14,027	14,027
Non-pooled	100	137,271	137,371
Fiduciary Funds:			
Pooled	-	6,806	6,806
Non-pooled	<u>-</u>	<u>301</u>	<u>301</u>
Total cash and cash equivalents	\$ <u>150</u>	\$ <u>743,787</u>	\$ <u>743,937</u>

The City maintained the following restricted assets as of September 30, 2003:

General Fund:	
Non-pooled cash and cash equivalents:	
Restricted for:	
Depot renovation	\$ 3,784
Police bond fund	8,115
Grant fund expenditures	<u>185</u>
Total	<u>12,084</u>
Enterprise Fund:	
Pooled cash and cash equivalents:	
Restricted for customer meter deposits	28,485
Non-pooled cash and cash equivalents:	
Restricted for debt requirements	<u>12,000</u>
Total	<u>40,485</u>
Total restricted assets	\$ <u>52,569</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 4: CASH AND INVESTMENTS (Continued)

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. Depositories must be covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

At September 30, 2003, deposits (including restricted deposits) are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ <u>769,395</u>	\$ <u>743,937</u>

The City had no investments at September 30, 2003.

NOTE 5: RECEIVABLES

The combined balance sheet of the City includes the following receivables at September 30, 2003:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Governmental Fund Types		
Taxes receivable		
Property taxes	\$ 5,131	\$ 924
Franchise taxes	<u>69,998</u>	<u>-</u>
Total taxes receivable	<u>\$ 75,129</u>	<u>\$ 924</u>
	<u>Enterprise Funds</u>	
Proprietary Fund Types		
Accounts receivable		
Water and sewer utility charges billed but uncollected	\$ 115,786	
Less: allowance for uncollectibles	(<u>47,360</u>)	
Net accounts receivable	<u>\$ 68,426</u>	

Bad debt expense for the year ended September 30, 2003 was \$5,896.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 6: FIXED ASSETS

A summary of changes in the general fixed assets account group is as follows:

	Balance 10/01/02	Additions	Transfers	Balance 9/30/03
Land, improvements and parks	\$ 133,227	\$ 258,500	\$ -	\$ 391,727
Buildings and improvements	730,531	38,314	-	768,845
Construction in progress	66,593	197,888	-	264,481
Vehicles, machinery and equipment	1,328,710	1,350	48,414	1,378,474
Capital lease equipment	<u>226,617</u>	<u>60,550</u>	(<u>48,414</u>)	<u>238,753</u>
 Total	 <u>\$ 2,485,678</u>	 <u>\$ 556,602</u>	 <u>\$ -</u>	 <u>\$ 3,042,280</u>

Transfers for the year ended September 30, 2003 include \$48,414 of transfers between assets classified as capital lease equipment and vehicles, machinery and equipment, in which lease terms expired throughout the year.

Construction in progress consists primarily of construction, engineering and miscellaneous costs related to the Depot Restoration Project, but also includes other projects such as the initial engineering and architectural costs for the construction of a Senior Center, the construction of restrooms for Blaylock Park and drainage improvements in the Churchouse Creek area.

The following is a summary of fixed assets of the proprietary fund types at September 30, 2003:

	Balance 10/01/02	Additions	Deletions	Balance 9/30/03
Land	\$ 6,357	\$ -	\$(-)	\$ 6,357
Investments other than buildings	818,436	15,992	(-)	834,428
Pumping distribution and mains	2,497,336	-	(-)	2,497,336
Vehicles and equipment	409,244	-	(-)	409,244
Office furniture and equipment	<u>19,918</u>	<u>-</u>	(<u>-</u>)	<u>19,918</u>
 Total fixed assets	 3,751,291	 15,992	 (-)	 3,767,283
Less: accumulated depreciation	(<u>1,992,088</u>)	(<u>133,104</u>)	<u>-</u>	(<u>2,125,192</u>)
Net fixed assets	<u>\$ 1,759,203</u>	<u>\$(117,112)</u>	<u>\$(-)</u>	<u>\$ 1,642,091</u>

Depreciation expense aggregating \$133,104 has been charged as a period cost in the current fiscal year.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 7: LONG-TERM DEBT

(A) General Long-Term Debt Account Group

The following changes occurred in liabilities reported in the General Long-Term Debt Account Group for the year ended September 30, 2003:

	Payable at 10/01/02	Additions	Reductions	Payable at 9/30/03
Notes payable	\$ 137,664	\$ 250,000	\$(81,212)	\$ 306,452
Capital leases	<u>138,807</u>	<u>60,550</u>	<u>(55,177)</u>	<u>144,180</u>
Total general obligation liabilities	<u>\$ 276,471</u>	<u>\$ 310,550</u>	<u>\$(136,389)</u>	<u>\$ 450,632</u>

(1) General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for City activities in the past. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. There are no General Obligation Bonds outstanding at September 30, 2003.

(2) General Obligation Notes

The City issued general obligation notes to provide funding for various capital improvement projects. The notes are also a direct obligation of the City and pledge the full faith and credit of the City.

The general obligation notes outstanding as of September 30, 2003 are as follows:

Description	Original Amount	Issue Date	Interest Rate	Outstanding Amount
Peoples Bank	\$ 250,000	10/17/02	2.95%	\$ 250,000
Trustmark National Bank	30,000	11/17/00	5.28%	18,000
Trustmark National Bank	<u>110,000</u>	02/21/01	4.95%	<u>38,452</u>
Totals	<u>\$ 390,000</u>			<u>\$ 306,452</u>

The annual debt service requirements to maturity for the general obligation notes are as follows:

Year Ending September 30	Principal	Interest	Total
2004	\$ 294,452	\$ 10,228	\$ 304,680
2005	6,000	634	6,634
2006	<u>6,000</u>	<u>317</u>	<u>6,317</u>
Totals	<u>\$ 306,452</u>	<u>\$ 11,179</u>	<u>\$ 317,631</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 7: LONG-TERM DEBT (Continued)

(A) General Long-Term Debt Account Group (Continued)

(3) General Capital Lease Obligations

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The lease obligations outstanding as of September 30, 2003 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Effective Interest Rate</u>	<u>Outstanding Present Value</u>
General government – backhoe lease	\$ 18,798	03/16/99	4.89%	\$ 12,882
General government – copier lease	5,682	06/01/99	4.78%	130
General government – police car lease	19,977	11/05/02	3.89%	16,273
General government – police car lease	23,601	11/05/02	3.89%	19,225
General government – Ford F150 lease	16,972	01/24/03	3.10%	13,326
General government – energy enhancement	107,884	01/05/01	6.45%	63,598
General government – police car lease	19,563	07/10/01	4.73%	5,173
General government – Suburban lease	<u>26,276</u>	03/19/02	3.97%	<u>13,573</u>
	<u>\$ 238,753</u>			<u>\$ 144,180</u>

The following is an analysis of property leased under capital leases as of September 30, 2003:

	<u>Cost</u>
Vehicles	\$ 96,733
Machinery and equipment	<u>142,020</u>
Total	<u>\$ 238,753</u>

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2003:

<u>Year Ending September 30</u>	<u>Total</u>
2004	\$ 74,623
2005	51,297
2006	<u>27,377</u>
Total minimum lease payments	153,297
Less: amount representing interest	<u>(9,117)</u>
Present value of future minimum lease payments	<u>\$ 144,180</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 7: LONG-TERM DEBT (Continued)

(A) General Long-Term Debt Account Group (Continued)

(4) Legal Debt Margin

The City's maximum and remaining legal debt limit for general obligation bonds is \$3,378,041 at September 30, 2003, since the City does not have any outstanding general obligation bonds in which to reduce the legal debt limit.

(B) Enterprise Fund Obligations

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2003:

	<u>Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
Balance at 10/1/02	\$ 136,536	\$ 59,776	\$ 196,312
Payments	(36,075)	(37,454)	(73,529)
Balance at 9/30/03	<u>\$ 100,461</u>	<u>\$ 22,322</u>	<u>\$ 122,783</u>

(1) Revenue Bond

Revenue bonds are bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service.

The revenue bond outstanding as of September 30, 2003 is as follows:

<u>Description</u>	<u>Issue Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
GE Capital – revenue bonds	<u>\$ 200,000</u>	1/1971	5.000%	<u>\$ 100,461</u>

The annual bonded debt service requirements to maturity for the revenue bond is as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 7,856	\$ 4,648	\$ 12,504
2005	8,258	4,246	12,504
2006	8,680	3,824	12,504
2007	9,125	3,379	12,504
2008	9,591	2,913	12,504
2009 – 2013	54,790	7,730	62,520
2014 – 2017	<u>2,161</u>	<u>965</u>	<u>3,126</u>
Totals	<u>\$ 100,461</u>	<u>\$ 27,705</u>	<u>\$ 128,166</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 7: LONG-TERM DEBT (Continued)

(B) Enterprise Fund Obligations (Continued)

(1) Revenue Bond (continued)

The City's water and sewer revenue bond dated January 1, 1971 require the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- (a) Waterworks and Sewer System Contingent Fund - into which shall be deposited \$25 per month until the funds and investments shall equal \$3,000.
- (b) Waterworks and Sewer System Depreciation Fund - into which shall be deposited \$25 per month until the funds and investments shall equal \$3,000.
- (c) Debt Service Cushion Fund - into which shall be deposited \$50 per month until the funds and investments shall equal \$6,000.

These monies are not separate funds but are restricted accounts within the water and sewer fund.

At September 30, 2003, the restricted balances in the accounts required by the bond covenants are as follows:

	Required Balance <u>9/30/03</u>	Restricted Balance <u>9/30/03</u>
Debt service cushion fund	\$ 6,000	\$ 6,000
Contingent fund	3,000	3,000
Depreciation fund	<u>3,000</u>	<u>3,000</u>
Total	<u>\$ 12,000</u>	<u>\$ 12,000</u>

(2) Enterprise Fund Capital Lease Obligations

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The lease obligations outstanding as of September 30, 2003 are as follows:

Description	Original Amount	Issue Date	Effective Interest Rate	Outstanding Present Value
Enterprise fund – backhoe lease	\$ 18,798	03/16/99	4.89%	\$ 12,881
Enterprise fund – Ford F700	8,500	11/30/00	5.99%	259
Enterprise fund – 2001 Dodge Ram	16,742	01/16/01	5.73%	2,014
Enterprise fund – 2002 GMC Sierra	<u>14,717</u>	12/18/01	3.97%	<u>7,168</u>
	<u>\$ 58,757</u>			<u>\$ 22,322</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 7: LONG-TERM DEBT (Continued)

(B) Enterprise Fund Obligations (Continued)

(2) Enterprise Fund Capital Lease Obligations (continued)

The following is an analysis of property leased under capital leases as of September 30, 2003:

	<u>Cost</u>
Vehicles	\$ 39,959
Machinery and equipment	<u>18,798</u>
Total	<u>\$ 58,757</u>

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2003:

<u>Year Ending September 30</u>	<u>Total</u>
2004	\$ 20,786
2005	<u>2,171</u>
Total minimum lease payments	22,957
Less amount representing interest	<u>(635)</u>
Present value of future minimum lease payments	<u>\$ 22,322</u>

NOTE 8: INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The following transfers were made between funds during the year ended September 30, 2003:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund		
CDBG Fund	\$ 27,250	\$ -
Capital Projects Fund		
CDBG Fund	<u>-</u>	<u>27,250</u>
Total	<u>\$ 27,250</u>	<u>\$ 27,250</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9: RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS

The City's bond covenants, as more fully explained at Note 7, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent reservations of the Water and Sewer Fund's retained earnings. A summary of the restricted assets and related liabilities follows:

Restricted Assets	
Customer deposits	\$ 28,485
Revenue debt service cushion accounts	6,000
Revenue bond depreciation account	3,000
Revenue bond contingent account	<u>3,000</u>
 Total restricted accounts	 <u>40,485</u>
Liabilities Payable From Restricted Assets	
Customer deposits	28,485
Revenue bonds principal (current portion)	7,856
Accrued interest	<u>165</u>
 Total liabilities payable from restricted assets	 <u>36,506</u>
 Reserved retained earnings	 \$ <u>3,979</u>

NOTE 10: UNEMPLOYMENT COMPENSATION FUND

In lieu of making payments to the Mississippi Employment Security Commission (MESC), the City makes deposits into a bank account designated for unemployment compensation in an amount equal to 2% of the first \$6,000 of covered employee wages paid in the preceding calendar year. Unemployment claims filed with the State are reimbursed 100% by the City. At September 30, 2003, the City's unemployment escrow account was sufficiently funded.

NOTE 11: RISK MANAGEMENT

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

Self-Insurance – Workers Compensation Fund

The City is one of 239 members in the Mississippi Municipal Worker's Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Self-Insurance – Liability Fund

The City is one of 243 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 12: OTHER COMMITMENTS AND CONTINGENCIES

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

Litigation

The City is party to various legal proceedings, which normally occur in governmental operations. Although the outcome of these legal proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 13: RETIREMENT PLANS

Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan described as follows:

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2003, 2002 and 2001 were \$96,781, \$93,991, and \$79,708, respectively, equal to the required contributions for each year.

Trend Information

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2003, financial report.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 13: RETIREMENT PLANS (Continued)

Deferred Compensation Plan

The Mississippi Public Employees' Retirement System (PERS) offers the City voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2003 assets held by PERS for participants employed by the City approximated \$14,000.

NOTE 14: SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains two enterprise funds. The Water and Sewer Fund accounts for the provision of basic utility services to all citizens. The Solid Waste Fund accounts for waste services of the City. Selected segment information for the year ended September 30, 2003, is as follows:

	Solid Waste	Water and Sewer	Total
Operating revenue	\$ 165,320	\$ 482,636	\$ 647,956
Depreciation	22,631	110,473	133,104
Operating (loss)	(52,620)	(84,267)	(136,887)
Income from water service	-	323,366	323,366
Income from sewer service	-	146,393	146,393
Income from garbage fees	165,320	-	165,320
Properties connected with water lines	-	1,507	1,507
Properties connected with sewer lines	-	1,318	1,318
Metered customer - water	-	1,506	1,506
Metered customers - sewer	-	1,313	1,313
Unmetered customers - water	-	1	1
Unmetered customers - sewer	-	5	5
Number of garbage customers	1,353	-	1,353

NOTE 15: JOINT VENTURE

Wiggins-Stone County Airport Board

The Wiggins-Stone County Airport Board is a joint venture between the City and Stone County. The City and Stone County jointly own the land and buildings of the Wiggins-Stone County Airport. The total historical cost of this property is \$94,500 composed of \$28,600 in land and \$65,900 in buildings and improvements. The City has included their one-half interest in this property in the general fixed asset account group. The City and the County provide \$2,000 each year to the Airport Board. The Airport Board leases property to the State of Mississippi and the fixed base operator for a total annual income of \$50. All of the revenues are expended each year. Any potential future financial benefit or burden to the City resulting from the airport is not determinable at this time. A copy of the Wiggins-Stone County Airport Board financial information can be accessed through the City.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 16: JOINTLY GOVERNED ORGANIZATION

Stone County Economic Development Partnership

The Stone County Economic Development Partnership (Partnership) is a jointly governed organization between the City and Stone County, Mississippi, created to promote economic development in Stone County, Mississippi under the provisions of Senate Bill 3072. The Board of Alderpersons of the City of Wiggins appoints three members and the Mayor of the City of Wiggins appoints one member of the seventeen members of the Board of Directors of the Partnership. A two percent tax levy upon every person, firm or corporation operating a motel, hotel or restaurant in Stone County primarily provides the funds for the Partnership to conduct its activities. Additionally, the Board of Alderpersons of the City of Wiggins has the authority, along with the Board of Supervisors of Stone County, upon presentation by the Partnership, to approve or disapprove all or any portion of the annual budget regarding the expenditures of the tax revenue, and any amendments, thereto. A copy of the Stone County Economic Development Partnership financial information can be accessed through the City.

NOTE 17: SUBSEQUENT EVENTS

Purchase and Sale of Fixed Assets

In October 2003, the City received delivery of a fire truck purchased for \$186,392, which was financed as a capital lease with a lease term of five years at 3.14% interest and semi-annual payments of principal and interest of approximately \$20,000.

In December 2003, the City approved and received the proceeds from the sale of two garbage trucks in the amount of \$39,058.

Debt Refinance

In November 2003, the City refinanced the \$250,000 note originally issued to Peoples Bank in October 2003 with Hancock Bank in the amount of \$250,000 with a term of five years at 2.69% interest and annual payments of approximately \$54,000.

Solid Waste Disposal Service

Effective October 1, 2003, the City elected to enter into a contract with Li'l Hauler Waste Services, Inc. to provide for solid waste disposal services. The initial term of the agreement is for three years with the option of an extension of an additional three years. The City will be invoiced for services provided at a per customer charge of \$10.05 monthly. This charge will annually increase by fifty percent of the Consumer Price Index for urban wage earners and clerical workers.

NOTE 18: NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The City is required to implement this standard for the fiscal year ending September 30, 2004. The City has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

COMBINING STATEMENTS

**CITY OF WIGGINS, MISSISSIPPI
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
SEPTEMBER 30, 2003**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Pooled cash and cash equivalents	\$ 48,073	\$ (62,531)	\$ (14,458)
Non-pooled cash and cash equivalents	125,371	-	125,371
Accounts receivable, net of allowance for uncollectibles	68,426	-	68,426
Other receivables	4,000	-	4,000
Prepaid expenses	1,952	1,113	3,065
	<u>247,822</u>	<u>(61,418)</u>	<u>186,404</u>
Total current assets			
RESTRICTED ASSETS			
Pooled cash and cash equivalents	28,485	-	28,485
Non-pooled cash and cash equivalents	12,000	-	12,000
	<u>40,485</u>	<u>-</u>	<u>40,485</u>
Total restricted assets			
PROPERTY, PLANT AND EQUIPMENT			
Land	6,357	-	6,357
Improvements other than buildings	834,428	-	834,428
Pumping distribution and mains	2,497,336	-	2,497,336
Vehicles and equipment	233,841	175,403	409,244
Office furniture and equipment	19,918	-	19,918
	<u>3,591,880</u>	<u>175,403</u>	<u>3,767,283</u>
Total property, plant and equipment			
Less: accumulated depreciation	<u>(1,968,478)</u>	<u>(156,714)</u>	<u>(2,125,192)</u>
Net property, plant and equipment	<u>1,623,402</u>	<u>18,689</u>	<u>1,642,091</u>
TOTAL ASSETS	<u><u>\$ 1,911,709</u></u>	<u><u>\$ (42,729)</u></u>	<u><u>\$ 1,868,980</u></u>

	Water and Sewer	Solid Waste	Total
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 20,148	\$ 5,182	\$ 25,330
Compensated absences payable	3,223	1,274	4,497
Current maturities of capital leases payable	19,913	259	20,172
Accrued payroll	2,597	1,293	3,890
Total current liabilities	45,881	8,008	53,889
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Customer deposits	28,485	-	28,485
Current maturities of revenue bonds payable	7,856	-	7,856
Accrued interest	165	-	165
Total current liabilities payable from restricted assets	36,506	-	36,506
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current maturities	92,605	-	92,605
Capital leases payable, net of current maturities	2,150	-	2,150
Total noncurrent liabilities	94,755	-	94,755
Total liabilities	177,142	8,008	185,150
FUND EQUITY			
Contributed capital - federal sources	169,956	-	169,956
Retained earnings			
Reserved for bond indenture	3,979	-	3,979
Unreserved retained earnings	1,560,632	(50,737)	1,509,895
Total fund equity	1,734,567	(50,737)	1,683,830
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,911,709	\$ (42,729)	\$ 1,868,980

See Independent Auditors' Report

CITY OF WIGGINS, MISSISSIPPI
COMBINING STATEMENT OF REVENUES AND EXPENSES
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Water and Sewer	Solid Waste	Total
OPERATING REVENUES			
Charges for sales and services			
Water sales	\$ 323,366	\$ -	\$ 323,366
Sewer charges	146,393	-	146,393
Garbage charges	-	165,320	165,320
Tap fees	7,400	-	7,400
Service connection charges	560	-	560
Late charges	4,469	-	4,469
Miscellaneous	448	-	448
	<u>482,636</u>	<u>165,320</u>	<u>647,956</u>
Total operating revenues			
	<u>482,636</u>	<u>165,320</u>	<u>647,956</u>
OPERATING EXPENSES			
Personnel services	186,936	82,804	269,740
Contractual services	48,589	68,649	117,238
Supplies and materials	119,462	43,856	163,318
Heat, light and power	63,506	-	63,506
Depreciation	110,473	22,631	133,104
Other services and charges	15,438	-	15,438
Professional fees	22,499	-	22,499
	<u>566,903</u>	<u>217,940</u>	<u>784,843</u>
Total operating expenses			
	<u>566,903</u>	<u>217,940</u>	<u>784,843</u>
Operating loss	<u>(84,267)</u>	<u>(52,620)</u>	<u>(136,887)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	18,625	-	18,625
Gain on sale of assets	2,021	-	2,021
Interest revenue	2,262	-	2,262
Interest expense	(6,866)	(521)	(7,387)
	<u>16,042</u>	<u>(521)</u>	<u>15,521</u>
Total nonoperating revenues (expenses)			
	<u>16,042</u>	<u>(521)</u>	<u>15,521</u>
NET LOSS	<u><u>\$ (68,225)</u></u>	<u><u>\$ (53,141)</u></u>	<u><u>\$ (121,366)</u></u>

See Independent Auditors' Report

CITY OF WIGGINS, MISSISSIPPI
COMBINING STATEMENT OF CHANGES IN EQUITY
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Water and Sewer	Solid Waste	Total
	<u> </u>	<u> </u>	<u> </u>
EQUITY			
Contributed capital			
Contributed capital, October 1, 2002	\$ 186,765	\$ -	\$ 186,765
Adjustment for depreciation on fixed assets acquired by donation from other entities that reduces contributed capital	<u>(16,809)</u>	<u>-</u>	<u>(16,809)</u>
Contributed capital, September 30, 2003	<u>169,956</u>	<u>-</u>	<u>169,956</u>
Retained earnings			
Retained earnings, October 1, 2002	1,616,027	2,404	1,618,431
Adjustment for depreciation on fixed assets acquired by donation from other entities that reduces contributed capital	16,809	-	16,809
Net loss	<u>(68,225)</u>	<u>(53,141)</u>	<u>(121,366)</u>
Retained earnings, September 30, 2003	<u>1,564,611</u>	<u>(50,737)</u>	<u>1,513,874</u>
Total equity, September 30, 2003	<u><u>\$ 1,734,567</u></u>	<u><u>\$ (50,737)</u></u>	<u><u>\$ 1,683,830</u></u>

See Independent Auditors' Report

CITY OF WIGGINS, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 467,675	\$ 165,320	\$ 632,995
Cash payments to suppliers and employees	<u>(463,490)</u>	<u>(192,958)</u>	<u>(656,448)</u>
Net cash provided by (used for) operating activities	<u>4,185</u>	<u>(27,638)</u>	<u>(23,453)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances to other funds	-	71	71
Advances from other funds	<u>(6,944)</u>	<u>-</u>	<u>(6,944)</u>
Net cash provided by (used for) noncapital financing activities	<u>(6,944)</u>	<u>71</u>	<u>(6,873)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(15,992)	-	(15,992)
Principal paid on revenue bonds and capital leases payable	(47,657)	(25,872)	(73,529)
Interest paid on revenue bonds and capital leases payable	(7,403)	(521)	(7,924)
Proceeds from sale of assets	2,021	-	2,021
Capital contributed	<u>18,625</u>	<u>-</u>	<u>18,625</u>
Net cash used for capital and related financing activities	<u>(50,406)</u>	<u>(26,393)</u>	<u>(76,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	<u>2,262</u>	<u>-</u>	<u>2,262</u>
Net cash provided by investing activities	<u>2,262</u>	<u>-</u>	<u>2,262</u>
Decrease in cash and cash equivalents	(50,903)	(53,960)	(104,863)
Cash and cash equivalents - October 1	<u>264,832</u>	<u>(8,571)</u>	<u>256,261</u>
Cash and cash equivalents - September 30	<u><u>\$ 213,929</u></u>	<u><u>\$ (62,531)</u></u>	<u><u>\$ 151,398</u></u>
CLASSIFIED ON THE COMBINING BALANCE SHEET AS FOLLOWS:			
CURRENT ASSETS			
Pooled cash and cash equivalents	\$ 48,073	\$ (62,531)	\$ (14,458)
Non-pooled cash and cash equivalents	125,371	-	125,371
RESTRICTED ASSETS			
Pooled cash and cash equivalents	28,485	-	28,485
Non-pooled cash and cash equivalents	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Cash and cash equivalents, end of year	<u><u>\$ 213,929</u></u>	<u><u>\$ (62,531)</u></u>	<u><u>\$ 151,398</u></u>

CITY OF WIGGINS, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating loss	\$ (84,267)	\$ (52,620)	\$ (136,887)
Adjustments reconciling net cash provided by (used for) operating activities:			
Depreciation	110,473	22,631	133,104
Bad debts	5,896	-	5,896
(Increase) decrease in assets:			
Accounts receivable	(16,857)	-	(16,857)
Other receivables	(4,000)	-	(4,000)
Prepaid expenses	(150)	(376)	(526)
Increase (decrease) in liabilities:			
Accounts payable	(1,233)	1,812	579
Other payables	944	504	1,448
Compensated absences payable	(501)	411	(90)
Customer deposits	(6,120)	-	(6,120)
Net cash provided by (used for) operating activities	<u>\$ 4,185</u>	<u>\$ (27,638)</u>	<u>\$ (23,453)</u>

See Independent Auditors' Report

CITY OF WIGGINS, MISSISSIPPI
COMBINING STATEMENT OF REVENUE AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Water and Sewer		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 478,490	\$ 477,571	\$ (919)
Miscellaneous	-	2,021	2,021
Interest	2,250	2,262	12
Total revenues	480,740	481,854	1,114
EXPENSES			
Personnel services	178,720	186,493	(7,773)
Supplies	98,322	119,462	(21,140)
Other services and charges	168,279	155,415	12,864
Capital outlay	59,727	15,992	43,735
Debt service	57,468	55,060	2,408
Total expenses	562,516	532,422	30,094
Deficiency of revenues over expenses	\$ (81,776)	(50,568)	\$ 31,208
Reconciliation to GAAP basis:			
Change in accounts receivable		10,961	
Change in other receivables		4,000	
Bad debt expense		(5,896)	
Purchase of property and equipment		15,992	
Capital contributions		18,625	
Depreciation expense		(110,473)	
Change in prepaid expenses		150	
Change in accounts payable		1,233	
Change in compensated absences payable		501	
Change in accrued payroll		(944)	
Change in accrued interest		537	
Principal payment of long-term debt		47,657	
NET LOSS - GAAP BASIS		\$ (68,225)	

Solid Waste			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 164,806	\$ 165,320	\$ 514	\$ 643,296	\$ 642,891	\$ (405)
-	-	-	-	2,021	2,021
-	-	-	2,250	2,262	12
164,806	165,320	514	645,546	647,174	1,628
80,482	81,889	(1,407)	259,202	268,382	(9,180)
38,265	43,856	(5,591)	136,587	163,318	(26,731)
73,535	67,213	6,322	241,814	222,628	19,186
-	-	-	59,727	15,992	43,735
26,393	26,303	90	83,861	81,363	2,498
218,675	219,261	(586)	781,191	751,683	29,508
\$ (53,869)	(53,941)	\$ (72)	\$ (135,645)	(104,509)	\$ 31,136
-	-	-	-	10,961	-
-	-	-	-	4,000	-
-	-	-	-	(5,896)	-
-	-	-	-	15,992	-
-	-	-	-	18,625	-
(22,631)	(22,631)	-	(133,104)	(133,104)	-
376	376	-	526	526	-
(1,812)	(1,812)	-	(579)	(579)	-
(485)	(485)	-	16	16	-
(430)	(430)	-	(1,374)	(1,374)	-
-	-	-	537	537	-
25,782	25,782	-	73,439	73,439	-
\$ (53,141)	(53,141)	-	\$ (121,366)	(121,366)	-

See Independent Auditors' Report

OTHER SUPPLEMENTAL INFORMATION

CITY OF WIGGINS, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

ASSESSED VALUATION AND MILLAGE

Gross assessed value:			
Realty	\$ 13,481,775		
Personal - other than auto	6,585,523		
Public utilities	2,327,844		
Personal - auto and mobile home	<u>3,379,328</u>		
Total gross assessed value		\$ 25,774,470	
Less: Special homestead		<u>(1,627,100)</u>	
Total municipal at 17.9 mills		<u>\$ 24,147,370</u>	\$ 432,238
Collections adjustments			
Add: Municipal homestead reimbursement			15,501
Penalties and interest			4,491
Prior year tax collection			10,910
County road taxes			810
Taxes on public utilities			2,424
In lieu of taxes			1,427
Less: Tax collector commission			(7,222)
Adjustments to rolls			<u>(1,645)</u>
Total to be accounted for			<u>\$ 458,934</u>

COLLECTIONS

	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
Collection credit to funds			
General fund	\$ 396,510	\$ 13,769	\$ 410,279
Debt service fund	<u>49,917</u>	<u>1,732</u>	<u>51,649</u>
Total	<u>\$ 446,427</u>	<u>\$ 15,501</u>	461,928
Balance represented by			
Unpaid property taxes			6,063
Unaccounted for			<u>(9,057)</u>
Total accounted for			<u>\$ 458,934</u>

See Independent Auditors' Report

CITY OF WIGGINS, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Date of Original Issue	Original Debt Issued	Interest Rate	Balance Outstanding 10/1/2002	Issued	Principal Payments	Balance Outstanding 9/30/2003
GENERAL LONG-TERM DEBT							
BANK NOTES							
Six acres land-Senior Center	10/17/02	\$ 250,000	2.95%	\$ -	\$ 250,000	\$ -	\$ 250,000
Depot restoration	11/17/00	30,000	5.28%	25,584	-	(7,584)	18,000
2000 Street paving	06/23/00	89,747	5.50%	31,545	-	(31,545)	-
2001 Street paving	02/21/01	110,000	4.95%	80,535	-	(42,083)	38,452
Total bank notes		<u>479,747</u>		<u>137,664</u>	<u>250,000</u>	<u>(81,212)</u>	<u>306,452</u>
CAPITAL LEASES							
Backhoe	03/16/99	18,798	4.89%	14,217	-	(1,335)	12,882
Copier	06/01/99	5,682	4.78%	1,654	-	(1,524)	130
Computer system	10/19/99	19,050	5.10%	571	-	(571)	-
Police car	10/19/99	19,258	5.10%	2,298	-	(2,298)	-
Dump trailer	02/01/00	9,656	5.65%	2,017	-	(2,017)	-
Energy enhancement	01/05/01	107,884	6.45%	84,074	-	(20,476)	63,598
Police car	07/10/01	19,563	4.73%	11,792	-	(6,619)	5,173
Suburban	03/19/02	26,276	3.97%	22,184	-	(8,611)	13,573
Police car	11/05/02	19,977	3.89%	-	19,977	(3,704)	16,273
Police car	11/05/02	23,601	3.89%	-	23,601	(4,376)	19,225
Ford F150	01/24/03	16,972	3.10%	-	16,972	(3,646)	13,326
Total capital leases		<u>286,717</u>		<u>138,807</u>	<u>60,550</u>	<u>(55,177)</u>	<u>144,180</u>
Total general long-term debt		<u>766,464</u>		<u>276,471</u>	<u>310,550</u>	<u>(136,389)</u>	<u>450,632</u>
ENTERPRISE FUND LONG-TERM DEBT							
REVENUE BONDS							
Revenue bonds	1/1971	200,000	5.00%	30,000	-	(30,000)	-
Revenue bonds	1/1988	503,000	5.375%	106,536	-	(6,075)	100,461
Total revenue bonds		<u>703,000</u>		<u>136,536</u>	<u>-</u>	<u>(36,075)</u>	<u>100,461</u>
CAPITAL LEASES							
Solid waste truck	02/17/98	74,060	4.71%	6,884	-	(6,884)	-
Solid waste truck	09/17/98	72,206	5.00%	15,984	-	(15,984)	-
Backhoe	03/16/99	18,798	4.89%	14,216	-	(1,335)	12,881
Ford F700	11/30/00	8,500	5.99%	3,263	-	(3,004)	259
2001 Dodge ram	01/16/01	16,742	5.73%	7,833	-	(5,819)	2,014
2002 GMC sierra	12/18/01	14,717	3.97%	11,596	-	(4,428)	7,168
Total capital leases		<u>205,023</u>		<u>59,776</u>	<u>-</u>	<u>(37,454)</u>	<u>22,322</u>
Total enterprise fund long-term debt		<u>908,023</u>		<u>196,312</u>	<u>-</u>	<u>(73,529)</u>	<u>122,783</u>
Total bonds, notes and capital leases		<u>\$ 1,674,487</u>		<u>\$ 472,783</u>	<u>\$ 310,550</u>	<u>\$ (209,918)</u>	<u>\$ 573,415</u>

CITY OF WIGGINS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
2001 - 2005 TERM

Official's Title	Name	Surety Company	Serial Number	Coverage Amount	Expiration Date
Mayor	Ferris B. O'Neal	Western Surety	SM3258	\$ 50,000	07/01/04
Aldersperson	Raymond D. Collins	Western Surety	SL9209	20,000	07/01/05
Aldersperson	Darrell Berry	Western Surety	SL9213	20,000	07/01/05
Aldersperson	Donna Rouse	Western Surety	SL9212	20,000	07/01/05
Aldersperson	Ronnie Purvis	Western Surety	SL9211	20,000	07/01/05
Aldersperson	Thomas E. Hall	Western Surety	SL9210	20,000	07/01/05
Bond Treasurer	Teresa J. Ladner	Western Surety	69053426	160,000	02/21/04
City Clerk	Teresa J. Ladner	Western Surety	69053423	50,000	02/21/04
Deputy Clerk	LaShonna Jackson	Western Surety	24572421	10,000	10/08/03
Deputy Clerk	Joyce Martin	Western Surety	24572359	10,000	02/01/04
Deputy Clerk	Johnette Cook	Western Surety	N24572356	10,000	02/01/04
Chief of Police	Reid Lowe	Western Surety	24572422	50,000	10/16/03
Court Clerk	Jeanette Jackson	Western Surety	13433734	10,000	01/01/04
Notary	LaShonna Jackson	Western Surety	1442755ON	5,000	05/12/06
Position Blanket Bond for Alderspersons		Western Surety	18294152	10,000	04/30/04
Blanket Bond over all employees handling cash except receiving clerk		Western Surety	69059032	10,000	10/01/03

See Independent Auditors' Report

**CITY OF WIGGINS, MISSISSIPPI
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2003**

<u>Type of Coverage</u>	<u>Underwriter</u>	<u>Amount of Coverage</u>	<u>Policy Period</u>
Commercial property - City owned buildings and contents	General Star Indemnity Company	\$669,729	12/02/02 to 12/02/03
Contractors equipment - any loss to equipment, including water distribution equipment	General Star Indemnity Company	\$280,430	12/02/02 to 12/02/03
Business auto - City vehicles (physical damage only)	Illinois National Insurance Company	\$922,433	12/02/02 to 12/02/03
Business auto - Senior Citizens Bus	Progressive Commercial Vehicle Insurance	\$25,000	10/10/02 to 10/10/03
Municipal liability	MS Municipal Liability Plan	Tort Claims - State Law Federal Civil Rights - \$1,000,000	01/01/03 to 12/31/03
Workmen's Compensation	MS Municipal Workmen's Compensation Group, Inc.	State Law	10/01/02 to 09/30/03

See Independent Auditors' Report

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 10, 2003

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the general purpose financial statements of the City of Wiggins, Mississippi as of and for the year ended September 30, 2003, and have issued our report thereon dated December 10, 2003, which was qualified because of a scope limitation due to unreconciled fixed asset subsidiary records. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wiggins, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Additionally, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Wiggins in a separate letter dated December 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wiggins, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition, as defined above, to also be a material weakness described as follows:

The City does not maintain a detailed inventory of its general fixed assets. Mississippi Statutes and the Municipal Audit and Accounting Guide require that the City tag and maintain detail subsidiary records of its fixed assets and an annual inventory be held to verify custody. The City has not taken a complete inventory of its fixed assets nor has it maintained adequate accounting procedures and records for fixed assets that are essential to the protective custody of the governmental property and required by accounting principles generally accepted in the United States of America. The City has not maintained complete accountability of its fixed assets, which could potentially lead to misappropriation.

We recommend that every effort be made to inventory, tag, and reconcile fixed assets with the amounts reported in the general ledger.

December 10, 2003
Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We also noted other matters involving the internal control over financial reporting, that we have reported to management of the City of Wiggins in a separate letter dated December 10, 2003.

This report is intended for the information of the management, the Board of Alderpersons, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE OFFICE OF THE MISSISSIPPI STATE AUDITOR REQUIREMENTS

December 10, 2003

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the general purpose financial statements of the City of Wiggins as of and for the year ended September 30, 2003, and have issued our report thereon dated December 10, 2003, which was qualified due to unreconciled fixed asset subsidiary records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

As required by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Wiggins, Mississippi is not in compliance with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire, except as noted below.

Fixed Assets

The City's fixed assets are not properly accounted for as required by Mississippi Law and the Mississippi Audit and Accounting Guide.

Monthly Report of Clerk

The City Clerk failed to submit the monthly financial statements timely as required by Mississippi Code Section 21-35-13.

Budgeted Expenditures

The City's expenditures in several departments exceeded amounts approved in the municipal budget as required by Mississippi Code Section 21-35-15 as follows:

General Fund	\$ 133,206
Water and Sewer Fund	
Personnel services	\$ 7,773
Supplies	\$ 21,140
Solid Waste Fund	
Personnel services	\$ 1,407
Supplies	\$ 5,591

December 10, 2003
Mayor and Board of Alderpersons
City of Wiggins, Mississippi

Publication

The City did not set the fiscal year 2003 tax levy within ten days of final approval of the assessment rolls as required by Mississippi Code Section 21-33-45.

Municipal Compliance Questionnaire

The City did not adopt the completed municipal compliance questionnaire at the first meeting after year-end as required by Mississippi Code Section 21-35-31.

This report is intended solely for the information and use by the Mayor, Board of Alderpersons, City Clerk and others within the City and is not intended to be and should not be used by anyone other than these specified parties.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi



Alexander | Van Loon | Sloan | Levens | Favre, PLLC

December 10, 2003

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

In planning and performing our audit of the financial statements of the City of Wiggins for the year ended September 30, 2003, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The pages that accompany this letter summarize our comments and suggestions concerning those matters. We previously reported on the City's internal control in our report dated December 10, 2003. This letter does not affect our report dated December 10, 2003, on the financial statements of the City of Wiggins, Mississippi.

The accompanying comments and recommendations are intended solely for the information and use of management, and others within the City and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We appreciate the opportunity to be of continued service to the City of Wiggins and express our gratitude to the staff and the City's Board of Alderpersons for their assistance in conducting the audit.

Alexander, Van Loon, Sloan, Levens & Favre
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

CASH MANAGEMENT

Reconciliations

The following management comments relate to the internal controls over the reconciliation processes of cash and related accounts or functions:

- A reconciliation of the restricted cash account for meter deposits to the liability account for customer deposits should be performed monthly. These accounts should only represent the cumulative activity of customer deposits received or refunded. Thus, both accounts should reconcile to each other, and also to a subsidiary ledger of utility deposits.
- We noted that many old outstanding checks, some over one year old, are being carried on monthly cash reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month. We recommend that checks over one year old be investigated, voided and re-issued, if necessary. Research should be done periodically to eliminate large numbers of old items being carried from month to month. In addition, the City should not have reconciling items between City cash accounts for non-cash transactions (i.e., interest receivable and interest payable).
- At present, the City maintains approximately twelve checking and savings accounts. Many of the accounts were established for narrow purposes and have few transactions and small balances. We recommend that management periodically review the functions of all bank accounts to determine whether they are necessary. Only a minimum number of bank accounts consistent with operating requirements should be established and maintained. Numerous bank accounts result in complexity and inefficient administration.
- At present, the City Clerk performs the bank reconciliations. We recommend that management, other than the City Clerk, open the bank statements and review them for any unusual checks or other transactions before giving them to the City Clerk to perform the reconciliations. Management's review of the bank statements will ensure that unusual items are investigated on a timely basis.
- We recommend that the reconciliations be signed and dated by the employee preparing them. We also recommend that the reconciliations be reviewed and approved by an appropriate member of management. The reconciliations should also be signed as an indication of review and approval.

CASH MANAGEMENT (Continued)

Segregation of Cash Duties

A fundamental concept in a good system of internal control is the segregation of duties. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. Such controls might include, but not necessarily be limited to, the following:

- Separating the duties of reconciling the bank accounts and the approving of adjustments to cash.
- Having persons who receive payments, including payments received by mail, prepare a list to be used to post receipts to the applicable accounts by another person. The duties of either of these employees should not include preparing bank reconciliations.
- Journal entries should be approved by an employee other than the one who prepared the entry.

We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Petty Cash

We noted that the City Clerk is able to access the petty cash drawers at the City. We also noted that, at times, the City Clerk collects Utility customer payments. The City Clerk, who is responsible for processing and recording all receipts, including petty cash activities, should not handle or deposit receipts or petty cash. In addition, the City Clerk should perform surprise counts of petty cash no less than annually.

GENERAL ACCOUNTING

Reconciliations

In order to make the monthly budget to actual reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for accounts receivable, accounts payable and other accounts, such as loan balances and fixed assets, to applicable subsidiary ledgers and/or other supporting documentation on a monthly basis prior to preparation of the monthly reports. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to identify necessary corrections and to perform future reconciliations.

GENERAL ACCOUNTING (Continued)

Fixed Asset Management System

The City has not completed an inventory of fixed assets or documented a system of controls over the management of fixed assets.

In order to maintain complete accountability of fixed assets as mandated by state and federal regulations, we recommend that the City complete the inventory of all fixed assets, reconcile the inventory to the fixed asset subsidiary ledger, and develop and implement a complete fixed asset management system. Such a system would define custodial procedures, identify assets purchased with federal funds and those contributed to the City from other sources, and define the requirements for maintaining and disposing of such assets.

MUNICIPAL COURT

Segregation of Court Duties

As noted above regarding the segregation of cash duties, the fundamental concept in a good system of internal control is the segregation of duties. Although we are well aware that due to the limited number of employees within the court system, a proper segregation is not always possible, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. Such controls might include, but not necessarily be limited to, the following:

- Separating the duties of cash receipts and disbursements related to court fines and forfeitures.
- Having persons who receive payments, including payments received by mail, prepare a list to be used to post receipts to the applicable accounts by another person.
- Journal entries should be approved by a knowledgeable employee other than the one who prepared the entry.

We recommend that management review the current assignment of all accounting functions related to the court system. We further suggest the possibility of the City contacting a court management consultant, to review the City's court system in an effort to improve the operating efficiency and internal controls.

MUNICIPAL COURT (Continued)

Bond Forfeitures

We noted during our audit procedures that the police bond activity, to include interest income from the police bond cash account, changes in the police bond payable account and the revenue resulting from police bond forfeitures, was not properly recorded. We recommend the City carefully review the police bond activity to ensure that the transactions are properly recorded.

MUNICIPAL COMPLIANCE

Monthly Financial Statements

Mississippi State Code Section 21-35-13 requires that financial statements comparing budgeted amounts to actual amounts be presented to the Board of Alderpersons on a monthly basis and entered into the minutes. We noted that although the financial statements are submitted to the board, the statements are not submitted timely, sometimes up to three months after the fact. We recommend that monthly budget to actual reports be submitted to the board in a timely manner.

Tax Levy

Mississippi State Code Section 21-33-45 requires that the City set the tax levy by their regular meeting in September not later than ten days after final approval of the land assessment roll. In fiscal year 2003, the City did not set the tax levy within the ten-day requirement. We recommend the City carefully review with their legal counsel the requirements regularly to avoid such oversight in the future.

Municipal Compliance Questionnaire

The City did not enter the municipal compliance questionnaire into the official minutes of the governing authority by the next regular meeting after September 30, 2003, as required. We recommend the City implement procedures that will allow for timely presentation to the City's Board on an annual basis.

MANAGEMENT FOCUS

Payroll Reports

The City's personnel failed to accurately complete the quarterly Form 941's. As a result the quarterly Form 941's did not reconcile to the Form W-3. We recommend that the City's management carefully review the calculations and reconcile the annual Form W-3 to both the quarterly Form 941's and the annual Form W-2's.

MANAGEMENT FOCUS (Continued)

County Road Tax

As confirmed by the Stone County tax assessor, the City no longer is eligible to receive their portion of the road tax based on a change in the millage structure line item description. We recommend that the City consult with legal counsel to further investigate the legality of this issue and how it affect funding of road repairs.

GASB 34 Implementation

As stated in our management letter recommendations dated January 10, 2002 and May 20, 2003, the City is required to implement the new Governmental Accounting Standards Board (GASB) Statement 34 Reporting Model with an effective fiscal year of September 30, 2004 for the City. The biggest effect of this implementation to the City will be to record and depreciate all fixed assets in the General Fixed Asset Account Group that have a remaining useful life as of October 1, 2003. The City needs to determine the economic lives of all the fixed assets not currently being depreciated and calculate the accumulated depreciation as of October 1, 2003 as though the assets had been depreciated since acquisition.

The required management discussion and analysis letter, which will be included in the fiscal year 2004 audit report and is the **responsibility of the City**, will include comparisons of current financial information to the prior year, which in this case will be the fiscal year 2003 information. As such, we further recommend that the City consider converting the September 30, 2003 financial statements to the new reporting model as soon as possible so that comparison can be made using consistent data.

As stated in our prior year's letter, the implementation of GASB 34 will have a significant affect on the City's audit in both the year of implementation and the subsequent fiscal years. GASB 34 will require a completely new set of government-wide financial statements (prepared by the auditor) in addition to the current fund level financial statements, a management discussion and analysis (prepared by the City with assistance from the auditor), and conversion of existing account balances to allow for full accrual accounting. Therefore, the additional audit time and fees associated with this conversion for most governmental entities are expected to increase approximately 20% to 30% for the year of implementation and between 10% and 15% for the years subsequent to implementation. The majority of the additional time in the year of implementation will be related to the development of the new financial reporting model financial statements, along with reconciliations to the current reporting model. Additional audit procedures will be necessary for the year of implementation (especially related to testing fixed asset inventories provided by the City), as well as all subsequent years.

MANAGEMENT FOCUS (Continued)

Minutes

In reviewing the minutes from board meetings, we noted that not all significant details related to matters discussed or decided at meetings were included in the minutes. In several instances, we noted that the board authorized contracts for which details, such as the amounts of the contracts, were not included in the minutes. In addition, debt agreements were authorized although the minutes did not include what the debt was incurred for, the amount of the debt, or pertinent payment details such as the interest rate and monthly payment amount. We recommend that all significant details related to the approval of contracts, asset acquisitions and loan agreements be discussed, approved, and documented in the board minutes. We further recommend the City consult with legal counsel for a complete listing of all documentation required to be included in the minutes.

Fraud Risk Assessment

In light of the spate of notorious frauds involving large companies in the last few years, such as Enron, WorldCom, and HealthSouth, there may be a misperception that fraud affects only large companies. However, fraud occurs in entities of all sizes, and almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances. Whereas the highly publicized frauds involved fraudulent financial reporting, for other entities, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the City that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the City, its environment, and its processes. The fraud risk assessment process should consider the City's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals in the City have the opportunity to misappropriate assets? *These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.*
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? *Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.*

MANAGEMENT FOCUS (Continued)

Fraud Risk Assessment (continued)

- What assets of the City are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use. Inventory or other assets can be stolen through sales to fictitious customers.

Once areas vulnerable to fraud have been identified, a review of the City's systems, procedures, and existing controls relating to the identified areas should be conducted. The City should consider what additional controls need to be implemented to reduce the risk of fraud. We would be pleased to provide more information about performing a risk assessment or assist management in performing one.

Operating Losses of Enterprise Funds

The final results of our audit procedures on the enterprise funds, which include the water and sewer fund and the solid waste fund, show that the net result of operations was a net operating loss of \$136,887 and \$31,150 for fiscal years 2003 and 2002, respectively. More specifically the water and sewer fund had a net operating loss of \$84,267 and \$8,463, for fiscal years 2003 and 2002, respectively; whereas, the solid waste fund had a net operating loss of \$52,620 and \$22,687 for fiscal years 2003 and 2002, respectively.

The principles underlying proprietary funds (i.e., enterprise funds) necessitate that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Currently, the user charges are not adequate to cover the expenses associated with providing those services and the fund's reserves are being depleted.

We recommend that the City consider increasing user charges to cover the cost associated with providing water, sewer, and solid waste services and/or look for ways to reduce those costs. Although effective October 1, 2003 the City outsourced their garbage collection services in an effort to reduce related costs of providing this service, we recommend the City review and monitor the activity of both funds and further encourage management to take the necessary steps to identify the adequacy of rates being charged to customers and/or investigate expense areas for potential cost containment in order to maintain the future solvency of both funds.